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C O N F I D E N T I A L SECTION 01 OF 02 RPO DUBAI 000017

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E.O. 12958: DECL: 2020/01/14

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SUBJECT: IRAN: PRESIDENT FINALLY SUBMITS FIVE-YEAR DEVELOPMENT PLAN

CLASSIFIED BY: Vinay Chawla, Economic Officer, DOS, IRPO; REASON:  
1.4(B), (D), (E)

¶1. (C) SUMMARY: In an address heavy on nationalism, revolutionary fervor and religious sentiment, on January 10 President Ahmadinejad formally presented the Fifth Five-Year Development Plan (FYDP) to the Majlis. Ahmadinejad's comments suggest that (unlike the Fourth FYDP, approved in 2004) seeking foreign direct investment and encouraging the development of the private sector are not major priorities for his government. Instead, he suggested the government play a larger role in the economy to ensure "justice," the continued pursuit of Islamic principles, and "comprehensive Iranian independence." Additionally, he advised MPs refrain from making changes to the FYDP given the considerable amount of time spent on its preparation and consultations within the government. Majlis Speaker Ali Larijani criticized both the late submission of the FYDP as well as the failure to submit the draft budget for the coming fiscal year (1389) by the legally mandated December 5 deadline. Larijani went on to warn that as a result the Majlis will not be able to review either bill properly before the start of the Iranian new year (March 21). The delivery timeline of both the FYDP and the 1389 budget bill show that Ahmadinejad, as was the case with the Targeted Subsidies bill, is not interested in working with the Majlis but instead continues to try to use them as a rubber stamp for his 'imperial presidency.' END SUMMARY.

¶2. (SBU) On January 10 President Ahmadinejad presented the 2010-2014 FYDP to the Majlis. In a speech heavy on nationalism, revolutionary fervor and religious sentiment, Ahmadinejad stuck to an overall 'us against them' theme. Ahmadinejad argued that if the FYDP was passed as written, Iran would achieve "a great breakthrough" in which the country would be "exalted," leading to hope and justice prevailing in the world. To achieve this goal, he laid out a number of new and "unique" approaches in the FYDP:

-- Guiding principles of Iranian and Islamic budgeting.

-- Simultaneous attention to development and social justice (e.g., continued privatization while granting additional 'justice shares' to lower-income Iranians).

-- Measurable inputs and outputs for each goal (e.g., to reduce the country's Gini coefficient, an economic measure of wealth inequalities, from 0.038 to 0.035).

-- Issue-centric solutions vice macro-planning (e.g., develop a modern irrigation system and channeling unemployed Iranians to the agriculture sector to better plan water management with the end goal of reviving the agriculture sector).

SCOPE OF THE FYDP

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¶3. (SBU) According to Ahmadinejad, a newly established Supreme Council determined that the country faced 130 key challenges. 90 solutions were developed to address these challenges of which 40 are addressed in the 45-article FYDP. Citing the country's 20-year 2024-2025 plan established in 2004, Ahmadinejad said that the Fifth FYDP will meet half of the long-term objectives laid out in that 20-year plan.

¶4. (SBU) Ahmadinejad used his discussion of the FYDP's breadth to make his final point: the Majlis should not make changes to the plan and instead should pass it quickly. Backing up his argument with numbers, Ahmadinejad said eight joint working groups, 42 specialized working groups, and 366 specialized subcommittees composed of 2,350 experts from all sectors in the country spent 150,00 man-hours to develop the plan which was ratified "after more than 10 long cabinet meetings." In arguing that the plan is so "transparent, succinct and extremely flexible" and the process completed so laborious, he warned that any attempt by the Majlis to revise it would "waste the time, energy, and efforts of the country's experts." Lastly, he instructed the Majlis that he had told Majlis Speaker Larijani "that it is possible to examine the plan in a shorter time because the expert work has already been done."

¶5. (SBU) Immediately after being formally presented the bill, Larijani made his disagreement with Ahmadinejad clear. According to conservative news dailies Khorasan News and ISCA, Larijani said that Ahmadinejad's failure to deliver the FYDP much earlier in the year and as well as the budget bill by its December 5 due date

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means the Majlis will have to focus exclusively on either planning or budgeting for the remainder of the current Iranian year (two months). His comments were followed by those of MP Daryush Qanbari, who said, "We need at least two months to scrutinize the Fifth FYDP and a further two months to examine the budget bill. Given that we are in the closing two months of the year, it is impossible to carry out such a task." Other MPs said that without a report on the achievements of the Fourth FYDP, addressing the Fifth FYDP was not possible. Head of the Majlis Economic Committee Arsalan Fathithat January 12 confirmed to news agency ILNA that Majlis had made a decision to allow the Fourth FYDP to extend into next year while MPs review "the budget bill first and vote on it next month."

¶6. (SBU) Several newspapers (including hardline conservative ones) carried editorials questioning President Ahmadinejad's implementation of the Fourth FYDP and the way in which he submitted the Fifth FYDP. Hard-line conservative newspaper Jomhuri-ye Eslami published an editorial highlighting the "government's flaws in its interaction with the Majlis as the executor of the Fourth FYDP and initiator of the Fifth FYDP." Conservative newspaper Siyasat-e Ruz wrote January 11, "As the Fourth FYDP reaches its end, MPs and experts should have appropriate knowledge about what has been achieved so that it can be known if even 25 percent of the objectives have been realized? "

¶7. (C) COMMENT: The delivery timeline of the FYDP and budget bill combined with Ahmadinejad's comments suggest that he is more interested in forcing his version of both documents through the Majlis than cooperation and consultation. As one U.S.-based Iranian economist who follows Iran's centralized planning closely told IRPO EconOff, Ahmadinejad's approach so far demonstrates "the planning apparatus is not working" and as a result "there will be quite a bit of improvising" as the process unfolds. Initial pushback by MPs and conservative newspapers suggest that like the targeted subsidies bill, the back-and-forth between the Majlis and the government will be contentious and the review period will be anything but short. In terms of content, what was most salient in Ahmadinejad's remarks was an absence of any goals seeking foreign investment and development of the private-sector. This contrasts starkly with the Fourth FYDP and suggests that Ahmadinejad's vision for Iran's growth is inward-focused and heavily dependent on the government. END COMMENT.  
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